



# Tax Credits

For Working People & Families

## What Are Tax Credits?

Tax credits are an amount you subtract from the amount of tax you owe. There are two types of tax credits:

1. A nonrefundable tax credit means you get a refund only up to the amount you owe.
2. A refundable tax credit means you get a refund, even if it's more than what you owe.

There are two important refundable credits we'll describe below, the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC)

## What Is The EITC?

The Earned Income Tax Credit (EITC) is a refundable tax credit that helps low- to moderate-income workers and families. If you qualify, you can use the credit to reduce the taxes you owe - and maybe increase your refund. In Colorado, people can receive both the Federal EITC and Colorado's state match of 25% of the Federal EITC.

## What Is The CTC?

The Child Tax Credit (CTC) is a refundable tax credit meant to help working families offset the costs of raising children. Filers with children can receive up to \$2,000 per child under the age of 17. If the credit exceeds taxes owed, families may receive up to \$1,400 per child as a refund. Other dependents—including children ages 17-18 and full-time college students ages 19-24—can receive a non-refundable credit of up to \$500 each. In Colorado, families with children under 6 are eligible to receive the state CTC match.

## ITIN Filers

Now qualify for the Colorado EITC and CTC match

Alongside partners and legislators, we at the Colorado Fiscal Institute worked in 2020 and 2021 to pass legislation at the state capitol that would expand Colorado's Earned Income Tax Credit (EITC) from a 10% match of the Federal credit to a 25% match over the course of three years and fund the state's Child Tax Credit (CTC). Alongside this, folks with Individual Taxpayer Numbers (ITIN) became eligible to receive both state credit matches for the FIRST time.

Unfortunately, ITIN filers do not currently qualify for the Federal EITC and CTC.



# Tax Credits

For Working People & Families

## The Benefits Of The EITC & CTC

The EITC and CTC are also powerful anti-poverty measures.

In 2018 the Federal EITC pulled 5.6 million people out of poverty including about 3 million children, and in 2019, it boosted the incomes of 9 million women of color.

The CTC lifted approximately 4.3 million people out of poverty in 2018, including about 2.3 million children, and lessened poverty for another 12 million people, including 5.8 million children.

The EITC and CTC are powerful ways to put money in the pockets of working people and families that they can use for whatever they need or to offset what they owe when they file their taxes. Tax Credits like the EITC also bolster local economies. Research has found that for every \$1.50 of EITC money spent, it translates to \$2 of economic activity.

## Benefits To Colorado Kids



Better Health At Birth



Improved Education Outcomes



Increased Lifetime Earnings

## How To Claim The Credits

1. If you are filing with an ITIN, be sure that your ITIN is up to date.
2. Find free tax preparation.
3. Collect all necessary tax documents
4. Ask your tax preparer if you are eligible for the EITC and CTC
5. If you qualify, you'll receive either a larger refund or, if you owe taxes, a reduction in how much you owe.

